

**Audit of Firm Fixed Price Proposal for  
Contract Modification Number 240  
TIRNO-94-D-00028  
Date: August 1999**

**Reference Number 19991C056**

**This report has cleared the Treasury Inspector General for Tax Administration disclosure review process and information determined to be restricted from public release has been redacted from this document.**

**Redaction Legend:**

10 = Trade Secrets or Commercial/Financial Information



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220

INSPECTOR GENERAL  
for TAX  
ADMINISTRATION

August 5, 1999

MEMORANDUM FOR GREG ROTHWELL  
ASSISTANT COMMISSIONER (PROCUREMENT)  
INTERNAL REVENUE SERVICE

A handwritten signature in black ink that reads "Pamela J. Gardiner".

FROM: Pamela J. Gardiner  
Deputy Inspector General for Audit

SUBJECT: Audit of Firm Fixed Price Proposal for  
Contract Modification Number 240  
TIRNO-94-D-00028

In response to your request, the Defense Contract Audit Agency (DCAA) audited the firm fixed price proposal for contract modification number 240 under contract TIRNO-94-D-00028. DCAA performed sufficient audit tests to obtain reasonable assurance about whether the proposal is free of material misstatement.

DCAA qualified its report based on the following factors :

- The Internal Revenue Service (IRS) requested that DCAA not incorporate the IRS' technical review into the report because DCAA analyzed labor hours differently.
- A Corporate Flowdown and Direct Charge Forward Pricing Proposal for 1999 to 2001 was submitted by the contractor and is currently being reviewed by the DCAA resident office. A supplemental report will be issued if the audit significantly affects this report.
- An accounting change was made and the contractor indicated in the submission that a cost impact analysis will be provided following this rate submission. Since DCAA cannot determine the cost impact on the forward pricing rates, the audit report is qualified accordingly.

In summary, except as qualified above, DCAA believes the contractor has submitted adequate cost or pricing data. Therefore, DCAA considered the submissions to be acceptable as a basis for negotiation of a fair and reasonable price. However, DCAA questioned 10 of costs. The questioned costs are related to the labor mix, relocation/regular travel, and general and administrative costs.

The information in this report should not be used for purposes other than that intended without prior consultation with the Office of Inspector General for Tax Administration regarding its applicability.

If you have any questions, please contact me at (202) 622-6510, or your staff may call Maurice S. Moody, Associate Inspector General for Audit (Headquarters Operations & Exempt Organization Program) at (202) 622-8500.

# NOTICE:

The Office of Inspector General for Tax Administration has no objection to the release of this report, at the discretion of the contracting officer, to duly authorized representatives of the contractor.

The contractor information contained in this report is proprietary information. The restrictions of 18 USC 1905 must be followed in releasing any information to the public.

This report may not be released without the approval of this office, except to an agency requesting the report for use in negotiating or administering a contract with the contractor.

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